

March 24, 2003

Robert Slaby, Ed.D.
Superintendent

Sharon Loucks, Ed.D.
Director, Curriculum &
Staff Development

Juvenal Luza, Ph.D.
Director, Bilingual &
Migrant Services

E. Leon Mattingley
Director, Personnel Services

Terry Ryan,
Director, Maintenance,
Operations & Transportation Services

Randall Schwartz, Ph.D.
Director, Pupil Personnel Services

The Honorable Robert O'Farrell
Presiding Judge of the Superior Court
Monterey County
P.O. Box 1819
Salinas, CA 93902

Dear Judge O'Farrell:

The Salinas City Elementary School District's Governing Board hereby responds to the 2002 Monterey County Civil Grand Jury Report, pursuant to Penal Code sections 933 and 933.05.

The Responses were approved by the Salinas City Elementary School District's Board of Education on March 24, 2003.

Responses to Findings

1. *Approximately 25% of annual revenues of the District are provided by grants (program specific funds) from various state, federal and private agencies and are vital to serving the special needs of the District's student[s].*

Response: The Salinas City Elementary School District agrees with this finding.

2. *The use of Peer Assistance and Review and Teacher Mentor program funds to pay for administrative travel and training in Ecuador was a misuse of grant funds.*

Response: The Salinas City Elementary School District disagrees with this finding. The travel and training took place in Summer, 2001. At the time of the travel and training, "administrative expenses" subject to the 5% cap were not defined by statute. (See former Ed. Code § 44503(e).) In October 2001, A.B. 804 became effective, and amended section 44503(e) to broadly define "administrative expenses." According to the California Department of Education, the travel and training undertaken by District personnel was permitted by the former section 44503(e), but subsequently prohibited by the amendment. (See transcribed voice mail message from John Luster of the Department of Education, attached as Ex. A.) Therefore, such travel and training was permissible prior to October, 2001. Because the travel and training took place prior to the amendment, it was permissible and was not a misuse of grant funds.

BOARD OF EDUCATION

Byron Skip Latham
Robert Foster Hoffman
John Aaron
Stephen Malvini
Debbie Rianda

840 South Main Street
Salinas, CA 93901
Phone (831) 753-5600
Fax (831) 753-5610

3. *The contract with LMLI, paid for with funds from Title I federal grants, was in part a misuse of these program funds.*

Response: The Salinas City Elementary School District disagrees with this finding. This finding appears to be based upon a concern that the District spent Title I funds on a district-wide program, rather than confining the expenditures to specific schools. However, the United States Department of Education, which administers Title I, has stated that Title I funds are not confined to specific schools, but may be used district-wide. (See "Additional Reservations for Title I, Part A (Basic Grant)" instructions from U.S. Department of Education, attached as Ex. B.)

4. *The contract awarded to LMLI and the subsequent attempt at implementation resulted from poor approval and management practices.*

Response: The Salinas City Elementary School District's Governing Board acknowledges that it deviated from its normal program approval practice and since this particular issue, has endeavored to ensure that its normal practice is followed.

5. *The purchase of the I Can Learn program with federal 21st Century Learning Center funds was an improper use of grant funds, and inconsistent with applying these funds for maximum student benefit.*

Response: The Salinas City Elementary School District disagrees with this finding. The United States Department of Education ultimately specifically authorized use of 21st Century Learning Center funds for the I Can Learn program, which indicates that the use of grant funds was not improper. (See electronic mail from Julie Flores of U.S. Department of Education and list of approved expenditures, attached as Ex. C.)

Responses to Recommendations

1. *The Salinas City Elementary School District adopt a policy of detailed oversight of travel and training or other activities of the administrative staff, in order to ensure there is no questionable use of funds or abuse of authority.*

Response: The Salinas City Elementary School District currently has a detailed policy regarding interstate travel. Board policy #3350 is currently implemented in a manner in which the Board must approve all out of state travel.


2. *As required by reasonable management practices, the Salinas City Elementary School District adopt a policy to ensure that new programs are adequately reviewed and discussed by the affected parties prior to approval, and the Board ensure that programs affecting the classroom work of teachers be presented to those teachers prior to their introduction.*

Response: All Board discussions and decisions occur in open, public sessions, unless otherwise provided by law. Therefore, all individuals, including affected parties, have the opportunity to review and discuss proposals prior to adoption.

3. *From inception to completion, the Salinas City Elementary School District adopt a policy to provide additional oversight of the entire grant process, including solicitation of grants and follow-through to ensure that grant funds are used as intended by the agencies providing the funding; to assist in achieving oversight, the Board require the administration to identify all grant expenditures as such on the Board's consent agenda for approval, and the administration verify by such identification that the use of grant funds is authorized.*

Response: The Board is currently required to approve all grant applications, the receipt of all grant funding, and all expenditures of grant funds. Additionally, current Board Policy 6161.1 ensures that new programs will be adequately reviewed and discussed by affected parties prior to approval.

Sincerely,

A handwritten signature in cursive script that reads "Byron Skip Latham".

Byron Skip Latham
President, Board of Education

Exhibit A

Salinas City Elementary School District

840 South Main St.
Salinas, California 93901
Phone: (831) 753-5600

DATE: February 1, 2002
TO: Lou Lozano
FAX: 646-1801
FROM: Rob Slaby, Superintendent
RE:

Voice Message of 1/31/02 - 3:30 p.m.
from John Luster, State Department of Education, (916) 324-5689
to Sharon Loucks

Re: PAR funding

Hello Sharon, John Luster from Department of Ed regarding your PAR funding and going to conferences, Spanish conferences and so forth. Some businesses have done that in the past, prior to Oct 16 no problem, but AB804 has kind of limited what you can do now. Everything that you mentioned falls in the 5% administrative cost of the program, personnel cap, indirect costs. So what has really happened it has included a PAR panel, and so it's kind of coming down to what you can really use it for is consulting teachers and onsite, that is pretty much except for the 5%. So, in the 5% (you may include) administrative cost, personnel cost, selecting the Par committee, PAR panel cost, computers, and indirect cost and so forth. But they all have to be in the 5% cap. We know it is way too low but that is what the Oct. 16 804 did. Give me a call if I need to clarify this 916 324 5689.

TOTAL PAGES (including this one): 1

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Exhibit B

Additional Reservations for Title I, Part A (Basic Grant)

Page 13: This page is used to allow an LEA to reserve additional Title I, Part A (Basic Grant) funds prior to making allocations to schools. The decision to reserve funds and the amount reserved on this page is the option of the LEA. If an LEA is not receiving 2002-2003 Title I, Part A funds, or is choosing not to reserve Title I funds for the programs listed below, check "The page is not applicable" box. The LEA is not required to complete the page.

IMPORTANT: LEAs funding schools below 35% poverty **MUST** ensure that all served sites receive 125% per low-income student before reserving any funds on this page. Please note this requirement applies to **ALL** LEAs receiving Title I, Part A (Basic Grant) funds, **INCLUDING** those LEAs that are not required to rank their schools (i.e., have less than 1,000 ADA). This includes LEAs with a district mean below 35% as well. The only LEA configuration not required to comply is a school district with a single school.

Title I, Part A

- Line 1** The computer program will insert the amount from Line 10, Column A on Page 12.
- Line 2** Enter the amount to be reserved from Title I, Part A (Basic Grant) for serving eligible students in Community Day schools. It may be necessary to coordinate transfer of these funds to the agency operating the Community Day School(s).
- Line 3** Enter the amount to be reserved from Title I, Part A (Basic Grant) for Capital Expenses for Private Nonprofit Schools (for serving eligible students). **There will be no more Aguilar v. Felton re-imbursement available for LEAs.** This is not for general district capital expenses. (34 CFR 200.27(c)).
- Line 4** Enter the amount to be reserved from Title I, Part A (Basic Grant) for salary differentials. An LEA may consider variations in personnel costs, such as seniority pay differentials or fringe benefits differentials, as LEA-wide administrative costs, rather than as part of the funds allocated to school attendance areas or schools. The LEA would pay the differential salary and fringe benefit costs from its administrative funds taken off the top of the LEA's allocation. This policy would have to be applied consistently to staff serving both public and private children throughout the LEA.
- Line 5** Enter the amount to be reserved from Title I, Part A (Basic Grant) for operation of Title I preschool programs. (See <http://www.cde.ca.gov/iasa/titleone> for details.)
- Line 6** Enter the amount to be reserved from Title I, Part A (Basic Grant) for operation of Title I summer school programs.
- Line 7** Enter the amount to be reserved from Title I, Part A (Basic Grant) for operation of Title I Before School, After School, Intersession and school year extension programs.
- Line 8** LEAs must reserve adequate Title I, Part A (Basic Grant) funds to serve neglected students who are in institutions that are not considered school sites. Historically, these students have been in group homes served by the LEA. However, a county office of education may also fund a group home and would directly receive a Title I, Part A (Basic Grant) entitlement for

Exhibit C

From: Flores, Julie <Julie.Flores@ed.gov>
To: 'Carol Brown' <cbrown@monterey.k12.ca.us>,
"mwestfal@monterey.k12.ca.us" <mwestfal@monterey.k12.ca.us>
Date: Thursday, February 13, 2003 8:50 AM
Subject: 21st CCLC Approval to Draw Funds

Hafa Adai Mary and Carol,

I have good news. This is to follow up on your January 29, 2003 request for payment. I was advised by the OESE fiscal officer that your payment reimbursement request, in the amount of \$ 292,175.15 has now been approved. You may draw down this amount.

In the future, if you have other payment requests, please fax a memo with copies of receipts of the expense for my review and approval. In this memo, please include your grant number (S287A012552) and DUNS number (100613249).

P.S. Carol, when can I expect the revised budget and program plan? I will be out of the office starting March 3rd. I would like to review it before I leave.

Let me know if you have other questions.

Julie

Drawdown Amounts (4-29-02)

I CAN Learn	\$156,284.74
JRL (Sales Tax)	\$31,500.00
Education First	\$54,000.00
Sub-charges Sept-Dec	\$3,800.00
Benefits for above	\$388.21
Orchard*	\$107.74
Travel J. Chadiz	\$301.00
Salinas Energy Service*	\$4,695.00
Education First -Grant Writing*	\$30,000.00
Electrical Distributors*	\$751.90
Subtotal	\$281,828.59

*These amounts were transferred out of (not charged to) grant. Total of \$35, 554.64

*EECI Liabilities excessive. \$20,000 needs to be adjusted.

Expenses after 4-29-02

Tri-County Business Systems	\$986.70
EECI	\$20,000.00
Indirect Costs	\$18,899.45
EECI	\$70,000.00
EECI	\$182,289.00
Subtotal	\$292,175.15

Note: Mary Westfall is authorized to drawdown \$292,175.15 as expenditures have been accounted for as of

Summary of Year 1 Expenses

4-29-02 Drawdowns	\$281,828.59
4-29-02 through 6-30-02	\$292,175.15
Adjusted Liability	\$20,000.00
Funds Transferred (Subtract from 4-29)	\$35,554.64
Subtotal	\$558,449.10

Year 1 Grant Award	\$600,000.00
Year 1 Expenses	-\$558,449.10
Carryover	\$41,550.90
Credit	\$20,000.00
Credit	\$59,000.00
Total Carryover	\$120,550.90